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SIPDIS

EUR/WE FOR STACIE ZERDECKI
PM/DTCC FOR BLUE LANTERN COORDINATOR RACHAEL-THERESE S.
JOUBERT-LIN

E.O. 12958: N/A
TAGS: [ETTC](#) [KOMC](#) [SP](#)
SUBJECT: FAVORABLE BLUE LANTERN ON EUROPAVIA (LICENSES
050097913 AND 050051555)

REF: STATE 64206

¶1. (SBU) SUMMARY: Pol-Mil officer, Econoff, and POL intern made July 9 site visit requested reftel to foreign consignee Europavia Espana, S.A. in connection with subject cases. Europavia officers were knowledgeable, forthcoming, and cooperative, and made a detailed presentation about the company's history and primary customers and suppliers. Ministry of Defense contacts confirm Europavia is a regular provider for the Spanish MOD, primarily for maintenance of airplanes and military helicopters, and that the company is registered with the Directorate General of Armament and Materiel (DGAM). Europavia works frequently with European Aeronautic Defense and Space (EADS)-CASA, the global leader in aerospace, defense, and related services and Indra, and Europavia's role in these transactions is as a parts purchaser and distributor. Europavia delivers the imported components as they are received from the manufacturer, with rapid delivery averaging one-day turn-around, and is not involved with their internal technology. Europavia maintains strict internal controls on all inventory and on parts in transit. More general information regarding Europavia's business dealings can be found beginning at para 5. Please see a question from Europavia regarding International Traffic in Arms Regulations (ITAR) at para 8. END SUMMARY.

¶2. (SBU) Regarding the specific post-shipment check requested, answers below are keyed to questions in ref A, para 4:

-- Is Europavia Espana an official supplier/contractor for the Spanish MOD? Does the company have any other contracts with the Spanish MOD that involve the procurement of USML items?

Captain Eladio Ferreiro, Head of the Export Control Unit within the Directorate General of Armament and Materiel (DGAM) at Spanish MOD confirmed July 7 that Europavia is a regular supplier, primarily for military aircraft maintenance, registered with DGAM. Because the company contracts "habitually" with MOD for aircraft maintenance, some of the parts acquired in the United States are by nature USML-controlled items. Europavia officers briefed Emboffs that the company has mostly maintenance contracts with the MOD, and that the Spanish ministry normally goes direct to defense components manufacturers. There are currently no other open contracts for procurement of munitions list items.

-- Can the company provide documentation from the Spanish Ministry of Defense (MOD) and/or the Spanish Air Force (e.g. purchase order, contract, or letter of intent) establishing it as the final end user of the USML items?

Europavia provided Emboffs with extensive documentation on both subject cases, all of which can be provided via FAX to

PM/DTCC upon request. In support of license #050097913, Europavia provided the Spanish Army's repair request dated March 6, 2006; evidence that Eurocopter was not able to make the necessary repairs and turned to Europavia; Europavia's 2007 repair quote and subsequent Eurocopter purchase order number 608/4300035296/02.07.2007; an end-use certificate signed by Rafael Garcia and provided to Goodrich Corporation; DSP-5 signed by Bruce Schwinger in April 2008; shipment record that accompanied the cargo from Los Angeles on May 2, 2008; and invoices and packing slips for the winch delivered in working order on May 12, 2008. The end-use certificate specified that Europavia place purchase order # N07/0214/M on Goodrich Corporation for the supply of helicopter rescue hoist systems to be installed on CH-47D operated by the Spanish Army.

Europavia provided in support of license #050051555, an invoice from Indra for repair of a receiver/transmitter; e-mail correspondence related to export licensing to have the repair performed by L-3 Communications in Grand Rapids, Michigan; packing slips; and repair quotes.

-- Have all of the items ordered on these licenses been provided to the Spanish MOD? Does Europavia continue to hold any of the USML items?

(Regarding case 050097913: Are you familiar with Freight Forwarder Integral Transport Service, S.A. (Madrid)'s exact role? Were there any additional foreign parties (e.g. consignees, freight forwarders, etc.) involved in this transaction?)

All items have been provided. Europavia does not continue to

hold nor does it habitually store USML items, or any other components ordered on behalf of clients. The only items presently in its small-volume warehouse are civil aviation products en route to customers. Most equipment is delivered to the warehouse space that Europavia rents in the garage below its owned office space at calle Jorge Juan, 30 in Madrid, and subsequently leaves the space via courier services with global insurance. In the case of larger materials, Europavia may instead inspect arriving freight and sign it over directly to a freight forwarder.

13. (SBU) In the case of license #050097913 for the helicopter cargo winch, in answer to the question of whether the parts have been transferred to the MOD (ref A), as documented above and confirmed by MOD, they were received by Europavia and delivered May 12, 2008 to Eurocopter, thence via transportation agent and foreign intermediate consignee Integral Transportation Service, S. A. (a forwarding company) to the Spanish Army (not/not Air Force). DGAM's Ferreiro clarifies said cargo winch was the property of the Spanish Army (FAMET), sent to U.S. company Goodrich for repair through Europavia and Eurocopter Espana (the Army's contractor), and subsequently returned to the end user and original owner, the Spanish Army. In this and in other instances, Europavia sometimes buys direct and sells to the Spanish Army or, depending on the timeline and the circumstances of the sale, may sell to the Army via Eurocopter, a company that repairs Chinook helicopters. In almost all such cases, Europavia is working directly with the Spanish military or with three major defense companies in Spain.

14. (SBU) In the case of license #050051555, Europavia officers explained they signed the Letter of Intent (LOI) on June 13, 2007 in order to be able to procure parts via Caravan International (a seller with whom Europavia works only for large-volume contracts) for the Spanish MOD for a period of four to five years up to a value of USD \$4 million.

The Spanish Army sought Europavia's assistance in guaranteeing delivery of critical parts for military airplanes and helicopters (ref A) as a "work-around" at a time when their negotiations with Boeing had stalled. Europavia officers briefed Emboffs that while still valid, the original LOI is no longer much used, because the Spanish

Army is now procuring the intended maintenance and repair supplies via Foreign Military Sale (FMS). DGAM's Ferreiro confirms that parts totaling only USD \$23,084.82 (of the \$4 million ceiling) have been acquired and delivered to date under license 050051555, and that there has been no activity under this LOI since 2007. Ferreiro notes that Caravan's license was tied to its LOI with Europavia, in essence an "open license" up to a stated financial limit for aircraft parts and components, "in order to avoid delays in material orders" that needed to be fulfilled in as given moment. Seven specific items, all ordered through Europavia N07/0249 were supplied by EADS CASA or Indra Sistemas, S.A. The entire order was requested and delivered the same day, on October 3, 2007, according to MOD. The following parts valued at \$1,527 received by Europavia from EADS had as their end user the Spanish Air Force's C-130 program:

P/N MS9501-07	Bolt
P/N 3313872-1	Pad, Pedal
P/N 899981-2	Atomizer Assembly
P/N 976761-1	Spacer
P/N MS20073-03-05	Bolt

The remaining parts ordered through Indra were installed by the Spanish Air Force in F-5s. Indra program manager Virginia Hornillos and MOD's purchasing offices confirm these materials were delivered at the time of the order to the Spanish Air Force and should have been installed in aircraft a long time ago:

P/N 064-104-7-61	Receiver transmitter	\$15,922.20
P/N 071-137-7-01	CD-413B VAL CTL	\$ 5,635.62

15. (SBU) Europavia Espana was established in 1965 and currently employs 15 people in its Madrid office. The company reported 120 million Euros in orders between 2004 and 2008. It is dedicated to the commercialization and distribution of equipment and high-technology systems and logistical management in the aeronautics and defense sectors. Europavia is privately held, wholly owned by principal French shareholder Eurotradia International, a consulting and services industry which in turn is held by major European aeronautics, defense, electronics, and energy entities including Total, EADS, Thales, Dassault, MBDA Missile

Systems, and Safran. Their institutional structure and financial resources allow Europavia to take on any project acting either as distributors or as representatives according to their clients' interests. Between 2004 and 2008, Europavia reported 88 million Euros as representatives compared to 31 million Euros in distribution activities. The company's earnings have risen steadily an average of 18 per cent per year. Repair and maintenance contract management in particular has risen nearly 30 per cent annually.

16. (SBU) Europavia officers told Emboffs they work with a number of suppliers and manufacturers, primarily French companies, and deal in logistics (including repair/maintenance and technical assistance contracts; buying and selling of components represents about 40 per cent of total sales); commercial promotion for commission (50 - 60 per cent of sales, with the client responsible for all end-use assurances); and a small percentage of consulting business. They are slightly more active in the private sector (approximately 55 per cent of sales) than in the public sector (primarily military clients). The directors told Emboffs that Europavia was trying to break out of its reputation as the "French defense firm operating in Spain." Nonetheless, Europavia deals mostly in French-manufactured parts (80-85 per cent), and less frequently in U.S. parts.

17. (SBU) Although Europavia deals in civil aviation as well, military sales represent more than half of the company's business. Europavia prides itself on its helicopter supply business, claiming it is capable of providing any system except for motors and cells. Its helicopter clients include all three of the Spanish military services, the Spanish Ministry of Interior, and major private operators. Europavia

has also been involved in braking barrier installation projects at civil and military airfields throughout Spain for the past ten years.

-- Does Europavia Espana understand the restrictions on USML items (especially the prohibition against unauthorized re-transfers, re-exports, or changes in end use)?

Yes. Nonetheless, Europavia acts as a consultant and advisor in most of its procurements deals and specifies that DSP-83 compliance responsibilities rest with their end-user clients.

18. (SBU) Europavia's General Director Rafael Garcia Tudela further sought Post's assistance in clarifying when its transactions might be subject to end-use prohibitions. Garcia posed questions regarding the ITAR list for significant military equipment (SME) and dual-use items versus "spare parts" deemed not subject to end-use certificates. If the manufacturer does not ask, Europavia assumes a DSP-83 is not required. Garcia needs to advise clients that parts described as "stock" may not be immediately available if they are subject to U.S. restrictions, which could result in a four-week delay. When does a given aircraft part "count" if the same equipment can be installed in either military or civil aircraft? How can the company determine whether the parts it is requested to obtain are contained in the USML? Europavia's team shared DSP-83s and other paperwork related to April 2009 and May 2009 orders for spare parts (circuit card assembly and power supply) for maintenance activities for a Lockheed C-130 Hercules aircraft operated by the Spanish Air Force and close tolerance screws for the Spanish Navy, respectively, and sought Emboffs opinions of whether everything appeared to be complete and in order. NOTE: Post would appreciate a direct PM/DTCP point of contact for Europavia in this regard, in the event they have additional questions or recommendations for periodic review of the list. END NOTE.

19. (SBU) -- Who are Europavia Espana's other customers, what is the nature of their business, and where are they located?

Europavia works primarily with the Spanish Air Force and EADS CASA, which together represent over half of Europavia's sales. Other clients include, on the public side, the Spanish Army and other defense and security entities. In addition to EADS, Europavia supplies Spanish shipbuilder Navantia, aeronautical operators, the Spanish airports administrator AENA, and Eurocopter Espana. Europavia also has business with the Basque Police. Madrid staff of the U.S. Commercial Service (USCS) confirm that Europavia is a company in good standing representing several U.S. firms in Spain. Senior International Trade Specialist Carlos Perezminguez describes Europavia director Miguel Angel Tapia as "one of the best professionals in this sector" and adds

the company enjoys an excellent reputation. USCS is familiar with Europavia based on previous inquiries on behalf of U.S. companies including Dillon Aero, and has included Europavia in past "Gold Key" meetings with U.S. companies seeking partners in Spain. Representatives from Europavia were invited by USCS to attend the reception at U.S. Embassy Paris during the June 15-21, 2009 Paris Air Show at Le Bourget. Europavia Espana represents select Japanese, German, Italian, and UK firms as well as a long list of French suppliers. Its U.S. representations include American Fuel, ETC, Microstrain, Engineered Arresting Systems Corporation, Cobham Defense Electronic Systems, Defense Technology Equipment, and Goodrich (both French and U.S. subsidiaries).

CHACON